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THE FUTURE OF THE TARIFF.

BY ROBERT P. PORTER.

IN May, 1897, I wrote an article for this REVIEW on "The Dingley Tariff Bill" which was then pending. Eleven years later, I am asked to write on the proposed tariff measure now under consideration by the Ways and Means Committee of the House of Representatives, which will probably be the nucleus of the Tariff Law of 1909. In the first article referred to, it was pointed out that tariff legislation is "extra hazardous," and that statesmen undertaking such dangerous fiscal work must be prepared for the reaction. Every statesman since the War, who has been called upon to revise the tariff, has, except Mr. Dingley, wrecked either his party or himself or both before he accomplished his task. In bequeathing the tariff question to his successor, President Roosevelt has shown himself to be a politician of the first quality, for the framing of a tariff law constitutes the most difficult and complicated problem that statesmen and economists have to deal with. Nor do I speak entirely without authority on the subject. In 1882, as a member of the Tariff Commission which framed the law of 1883, I first realized the magnitude and ramifications of the tariff laws. Later, in 1890, it was my fortune to aid the late President McKinley in the statistical work connected with the tariff bill of which he was the author. Again, in 1898, as Special Commissioner of the United States, I had charge of the tariff work of both Cuba and Porto Rico, and framed and put into operation the first tariff laws of those islands. This familiarity with the subject has not inclined me to talk glibly, as some people do, on "tariff revision," to expatiate on "tariff reform" or to favor hasty and radical changes in the tariff schedules. No sooner had President McKinley promulgated the Tariff Law for Cuba (January 1st, 1899)

than merchants, both in Havana and in the United States, began to appeal to me to change the rates and classifications. Such a course, however, would have become intolerable, and President McKinley finally issued an Executive Order which declared that, no matter what might be the individual hardship, the rates must remain unchanged for twelve months.

The folly of subjecting interests involving the whole business of a country—especially of one with nearly 100,000,000 population—to periodical changes of tariff, upward and downward, is manifest. When once a tariff bill has been passed and becomes a law, it would be well if it were made a penal offence for a person—statesman, reformer or otherwise—to talk “protection” or “free trade,” not for a period of twelve months, but for a period of twelve years. The Dingley Law has now been in force for more than a decade, and there may be excuse for revising it. At the same time, it should be remembered that the country is just slowly recuperating from a serious financial panic, and that operations, even if performed by careful and skilful hands, are extremely dangerous when the vitality of the patient is low. But, in this case, the wise and the unwise in tariff affairs seem to agree that revision is necessary, and hence the work will proceed, let us hope, along lines that will evolve a reasonable and, above all, a permanent measure.

Those high protectionists who are now complaining that the reduction of the tariff will injure their particular industry and necessitate a decrease in wages have largely themselves to blame for the public sentiment which demands a reduction. The Dingley Tariff Law is a much more protective measure than was the McKinley Law. To offset the increased rates levied by the former, the reciprocity clause was enacted, which, the promoters of the bill urged, would enable the President to reduce rates twenty per cent. on the merchandise coming from countries willing to make similar reductions on American commodities entering their ports. Having made this clause do valiant duty in allaying criticisms during the discussion and debates on the bill, the period of its operation was limited to two years, and hence was not made co-terminate with the law. Acting in good faith, President McKinley and Secretary Hay appointed Mr. Kasson to prepare a number of treaties in order to secure the advantages of the clause whilst it was vital. Though eight of these

treaties were negotiated (that with France being a particularly advantageous one to the United States), the high protectionists, who at the time controlled the Senate, refused to ratify any of them. These treaties were pigeonholed until the limitation in the Dingley Law permitting the President to make them expired, and all effort to revive or extend the so-called reciprocity clause was resisted. It was anything but a "square deal," and no one realized it more keenly than did the protectionist President and his able Secretary of State. Yet, speaking as a protectionist, I cannot but think that the Senate's policy was short-sighted. Had these reciprocity treaties been met with more hospitality by the Senate, there would now have been less adverse public sentiment arrayed against the tariff demanding, as President-elect Taft does, "both revision and reciprocity."

President McKinley's political insight made this clear to him, and, veteran maker of tariffs as he was, he did not hesitate to promote a policy which he believed to have become necessary. In his last speech at Buffalo he said:

"Our capacity to produce has developed so enormously and our products have so multiplied that the problem of more markets requires our urgent and immediate attention. . . . A system which provides a mutual exchange of commodities is manifestly essential to the continued and healthful growth of our export trade. . . . The period of exclusiveness is past. . . . Reciprocity treaties are in harmony with the spirit of the times; measures of retaliation are not. If, perchance, some of our tariffs are no longer needed for revenue or to encourage and protect our industries at home, why should they not be employed to extend and promote our markets abroad?"

If President McKinley had lived to carry out this policy, or had his successor been as deeply interested in economic questions as he is in "moral questions," the tariff by this time might have been removed from politics. If it is true that a high protective tariff encourages monopolies and creates trusts, a little more attention to this particular economic question on the part of the President might have reduced the number of "moral questions" which he has been called upon to deal with. In his first annual message, Mr. Roosevelt asked the Senate to consider the reciprocity treaties laid before it by his predecessor. From that time, the demand for their recognition became fainter and fainter, until no more was heard of it; and reciprocity, the "handmaiden of protection," as Mr. Roosevelt described it in

his first annual message, with the tariff itself, has been passed along to Mr. Taft, whose ability, courage and tact may be put to an early test in the part of an arbitrator which he will be called upon to play between a newly elected House pledged to "honest tariff revision" and an unrepentant Senate as yet but partially converted to the "new order of things."

Conditions which now confront the legislators at Washington engaged in tariff revision differ materially from those existing in 1882, when the Tariff Commission brought order and harmony out of the chaos of the War Tariff, popularly known as the Morrill Law. Our important industries were then just beginning to stand alone, and European—especially British—competition was a real menace to some industries. Manufacturers of iron, steel, woollens and worsteds, pottery and glass, chemicals, silk and some miscellaneous other products, were becoming better able to compete with their foreign rivals, and whilst they were not so insistent on advances of rates I recollect they rather strenuously opposed reductions. Other conditions were different. The trade complications and trusts had not developed to anything like the extent in which they exist to-day. The individual firms, or rather their representatives who gave evidence before the Commission, were, as a rule, able to weave into their testimony and statements a story of perseverance in overcoming difficulties and enterprise in establishing American home industries, and they evoked sympathy and to a reasonable extent deserved governmental encouragement. One illustration, perhaps the most picturesque, is sufficient to illustrate my meaning. Take Mr. Carnegie's testimony before a Tariff Committee which met twenty-five years ago, and compare it with his evidence last month. Then he was an enterprising manufacturer anxious to develop a great industry this side of the Atlantic. Then he was a man with unbounded faith in the resources and possibilities of his adopted country—resources and possibilities which could only be brought into active operation by a bold policy of protection which declared that those industries should be established here for the use and benefit of the American people, and that it was cheaper in the end to make and buy at home and employ American labor—even though the price were higher—than to import from foreign countries. These were sentiments that rightly affected the legislators. The situation to-day is different; for, as Mr. Car-

negie has himself told us, the infant has grown to be a giant. The American iron and steel industry, taken as a whole, is firmly established; and even those actively engaged in it would not be foolish enough to admit that the trade requires the same protection as it did in the earlier stages of its history.

But it does not follow that it would be wise to transfer even the iron and steel schedule to the free list. Neither is it certain that the conditions of all industries established and protected by the tariff permit of an indiscriminate reduction in the rate of duty. A substantial reduction should be made on those articles in the manufacture of which America is strong; while, on such articles as other countries lead in manufacturing, a rate of duty should be maintained that will compensate American manufacturers for the difference in the cost of labor which exists largely because of the difference between the wages paid here and those paid abroad.

What is true in regard to the iron and steel industry may be true in a greater or less degree in regard to other schedules. The woollen and worsted schedules undoubtedly contain excessively high rates of duty, and the estimable gentlemen representing these interests have invariably failed, when requested, to take the public into their confidence as to the exact cost of manufacturing. Heretofore, the *ex-parte* statements of interested witnesses have been accepted, not through any collusion between the framers of the tariff law and the manufacturers, but because, as a rule, counter-statements were not offered, or, if offered, were proved, on examination, to be even less accurate than those furnished by the manufacturers themselves. No one would accuse such statesmen as Judge William D. Kelley, President McKinley, Representative Dingley, Senators Allison and Aldrich, and many others who have had charge of a generation of American tariff legislation, of dishonesty of purpose. They have been largely occupied with the ambition of establishing as many diversified industries in this country as practicable, and with keeping the wages of American labor as high as possible. That the idea of a "full dinner-pail," employment for labor at good wages and a prosperous country should have become part of the platform of a political party is not unnatural, and that the statesmen prominent in tariff legislation should be regarded as popular leaders of the party of protection may have been their reward.

But I am talking of the past. The future is both more interesting and more important. The country and its industries have outgrown the older methods of tariff revision. The personal element has disappeared. The men who struggled with the beginning of American manufacturing have, as a rule, been rewarded financially by the splendid growth of the country, and many of them have passed away, together with the capable statesmen who patiently listened to their stories and heeded their plea for protection. Many of those who are still with us, like Mr. Carnegie, are rich beyond the dreams of avarice, and no further sympathy need be extended to them. In their place, we find, in many instances, large impersonal combinations, capable of utilizing all the modern methods of production, and able to hold their own in the world's struggle for industrial and commercial supremacy. The persistent sale in foreign markets of commodities produced by the American manufacturing trusts at a lower price than that maintained here has rightly caused great dissatisfaction at home and added much to the unpopularity of the tariff. Nevertheless, these trusts, representing as they do an immense army of American wage-earners, are entitled to be heard on their own behalf, and to a fair and just consideration on the part of the legislators. The protective system that brought them into existence cannot wisely be suddenly withdrawn. Extra care should also be exercised even in making "reasonable reductions" of the tariff during a period of temporary business stagnation. It should be borne in mind that these industries are part of our commercial fabric, and if those who control them are compelled to cheapen their output by the reduction of the rate of duty to an extent that will necessitate the discharge of hands or the reduction of wages, those now clamoring for tariff revision may turn and rend the revisionists, just as they did after the passage of the Wilson-Gorman Tariff Bill. Moderation should, therefore, be the watchword.

The moral aspect of tariff legislation has, at least to my mind, undergone as great a change in the quarter of a century under discussion as have the economic aspects. This was illustrated the other day during the discussion of the woollen schedule, when it was brought to light that a Government servant now holding an important official position in Washington and a statistician of note, helped the Chairman of the Finance Committee of the

Senate when the Dingley Bill was in the making, though at the time he held the position of Secretary to the Woollen Manufacturers' Association. It is true he received no pay from the Government for three months of arduous work, but public opinion, nevertheless, was shocked and surprised at the possibilities which the incident opened for corruption, and the newspapers not actually denouncing it decidedly disapproved of this method of tariff revision. As a matter of fact, it was only a little old-fashioned. In making up the Tariff Commission of 1882, President Arthur did not hesitate to appoint the Secretary of this same organization, Mr. John L. Hayes, to the Presidency of the Commission. The Secretary of the Wool Growers' Association, Mr. Garland, was also a member of that Commission, while iron and steel, sugar and pottery, all had strong representatives in its deliberations. To be sure, free-traders objected to this, but the general public regarded it as they once did the "good old spoils system" as a matter of course, and went on their way unheeding. The Bill those gentlemen prepared was, upon the whole, a fair one, alike to the protective interests, the importers and the consumers. Nevertheless, the principle was wrong; and, with the public conscience awakened on the question as it is to-day, no President would dream of making up a Tariff Commission on similar lines.

The present changed method of preparing for the work of tariff revision should show a great difference in the result. The Bill of 1883 was changed—for the worse, I think—in the Ways and Means Committee room; the McKinley Bill of 1890 was largely settled in Mr. McKinley's room at the Ebbitt House by protectionists; the Wilson Bill was the work of those interested in a low tariff. But the methods adopted were the same. The Dingley Bill was in process of formation when the high-tariff advocates were squarely in the saddle and McKinley himself in the White House. Here again the methods were practically the same, but the growth of the country made them more cumbersome. President McKinley had even then outgrown these methods, and he regarded the Dingley Tariff as too high in parts. I discussed it with him at the White House while it was under consideration, when he said to me that he hoped Mr. Dingley would have no rates of duty higher than those of the McKinley Tariff. As to whether Mr. Dingley did have or not, a comparison of those two measures would tell, but subsequent events, together

with the extract from Mr. McKinley's last speech before quoted, show that, before his tragic death, Mr. McKinley believed the modification of certain schedules would not be injurious to American manufacturing industries.

The recent hearing before the Ways and Means Committee indicates a broader method of treatment. In the testimony, the *pros* and *cons* of the tariff question have been more distinctly brought out than has been the case at any inquiry of the kind within my recollection. The official data bearing on the subject in possession of the Committee, I have been given to understand, are reliable and complete. Such trustworthy data will be very necessary if the Committee propose to act on the promises of the Republican platform in framing the tariff of 1909, and to "maintain the true principle of protection while so adjusting the rates of duty as to equal the difference between the cost of production at home and abroad," always bearing in mind "a reasonable profit to American industries." A more complicated and difficult task it would be impossible to imagine, and should the House and Senate Committees succeed in carrying it out they will deserve great credit. Just how it is to be done I am not prepared to say, unless some general rate of difference in wages could be established and that rate be taken as the maximum rate of duty for the new schedules. But, whatever plan is agreed upon, it is almost sure to antagonize some interests, and those interests will naturally do their best to convince Congress that their business has been seriously injured.

The proposed feature of maximum and minimum rate of duty I approve and hope to see incorporated in the new law. It is merely another way of carrying out the original intention of the Dingley Law when the Reciprocity Clause already referred to was inserted. The public demand for such outlets for trading with other countries—a demand which secured the insertion of the maximum and minimum clauses in the National Republican platform at Chicago—indicated that the practical nullification by the Senate of the reciprocity principle offered in the Dingley Law has been disapproved by the country.

In forecasting what I thought the Dingley Bill should be I used the following language, which I quote, as it applies to the measure now in course of preparation:*

* See NORTH AMERICAN REVIEW, May, 1897.

“So our tariff should be high enough to make up for the difference in wages paid here and abroad. It should be sufficient to protect American industry and American labor. It should, moreover, be just and equitable to all branches of industry. Irritating duties, unimportant from a revenue point of view, such as duties levied on scientific apparatus and books for schools and colleges and libraries for educational purposes, including all works of art, may with safety be avoided. There should be no discrimination. And, lastly, it must be framed from the foundation with a view to revenue necessities of the Government.”

In conclusion, let me endorse the idea which, I believe, has been fully discussed in the pages of this REVIEW by other contributors, namely, that a permanent Commission should be appointed for the purpose of investigating and suggesting to Congress, from time to time, changes in both the administration and classification of the tariff law and in the schedules of rates. Only in this way can the tariff be taken out of politics, as it should be, for the country is now too large and the interests involved too vast to permit of a fluctuating tariff policy. A permanent non-partisan Commission could investigate and annually recommend to Congress the necessary changes. Then the tariff itself is constantly changing. That is, a specific duty of so much per pound, or other unit, to-day may be a reasonable rate, but should the price of the article be cheapened it gradually becomes a high or even unreasonable rate. Such a Commission could also furnish Congress with exact information in relation to the sale of articles (the manufacture of which is protected by the tariff in America) in foreign markets at prices greatly below those charged the domestic purchaser. To what extent the formation of trusts tends to create monopolies, control the market or enhance the cost of commodities to the home consumer is a vital question which can only be fully answered by persistent practical inquiry. A carefully prepared measure, containing the salient features of both the Beveridge and La Follette proposed Commissions Bills, should be approved and enacted as part of the tariff law of 1909.

ROBERT P. PORTER.